

Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 STOCKHOLM 0322

E.O. 11652: GDS

TAGS: PGOV, PINT, SW

SUBJECT: PRIME MINISTER PALME AND THE 1976 ELECTIONS

REF: 75 STOCKHOLM A-286

1. BEGIN SUMMARY. AS SWEDEN ENTERS THE ELECTION YEAR OF
1976, PRIME MINISTER OLOF PALME CAN LOOK TO THE FORTHCOMING

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ELECTORAL CAMPAIGN WITH CONSIDERABLE EQUANIMITY. MORE THAN EVER IN

HIS ALMOST SEVEN YEARS OF PREMIERSHIP, PALME DEMINATES THE SWEDISH POLITICAL SCENE. WHEN THE VOTES ARE COUNTED IN NEXT SEPTEMBER'S PARLIAMENTARY ELECTIONS, PALME AND HIS SOCIAL DEMOCRATIC PARTY, THOUGH THEY FACE SOME SERIOUS PROBLEMS, PARTICULARLY THOSE POSED BY RECESSION AND INFLATION, ARE LIKELY TO REMAIN IN POWER. END SUMMARY.

2. THE DITHERING OF THE SWEDISH BOURGEOIS OPPOSITION HAS CONTRIBUTED SIGNIFICANTLY TO THE FAVORABLE OUTLOOK FOR PALME AND HIS PARTY. UNWILLING OR UNABLE TO LEARN FROM THE EXPERIENCE DERIVED FROM SUCCESSIVE ELECTORAL DEFEATS, THE OPPOSITION PARTIES REMAIN IN DISARRAY, SEEMINGLY FIGHTING AS MUCH AGAINST ONE ANOTHER AS AGAINST THE RULING SOCIAL DEMOCRATS. FOR EXAMPLE, THE RECENT GAINS OF THE LIBERAL PARTY IN THE PUBLIC OPINION POLLS, APPEAR TO HAVE BEEN MADE AT THE EXPENSE OF THE CENTER PARTY. IN THEIR PREOCCUPATION WITH ESTABLISHING DISTINCT "PROFILES" FOR THEIR INDIVIDUAL PARTIES, THE OPPOSITION LEADERS -- AND PARTICULARLY CENTER LEADER FALLDIN AND NEWLY ELECTED LIBERAL CHIEF AHLMARK -- REFUSE TO AGREE ON COMMON OBJECTIVES, MUCH LESS FORM A COMMON ELECTORAL FRONT. ONLY MODERATE PARTY LEADER BOHMAN -- WHOSE PARTY HAS BEEN STEADILY CLIMBING UPWARD IN THE PUBLIC OPINION POLLS -- HAS REPEATEDLY STRESSED THE NECESSITY OF FORMING SOME KIND OF OPPOSITION PRE-ELECTORAL ALLIANCE. THE OTHER LEADERS, HOWEVER, DO NOT SEEM TO HEED BOHMAN'S CALL. THEY APPEAR FEARFUL OF TOO CLOSE AN IDENTIFICATION WITH THE CONSERVATIVES, DESPITE THE APPEARANCE OF RECENT POLLS SHOWING THAT UPWARDS OF 80 PERCENT OF THE OPPOSITION PARTIES RANK AND FILE FAVOR CLOSER COLLABORATION AMONG THE THREE PARTIES.

3. NOTWITHSTANDING THE OPPOSITION'S INVOLUNTARY ASSIST TO THE SOCIALISTS' FORTUNES, A SIGNIFICANT SHARE OF THE CREDIT FOR THE FAVORABLE OUTLOOK FOR THE RULING SOCIAL DEMOCRATS MUST BE GIVEN TO MR. PALME HIMSELF FOR HIS ADROIT HANDLING OF SWEDISH POLITICS. SEEMINGLY PLACED IN AN IMPOSSIBLE SITUATION BY THE OUTCOME OF THE SEPTEMBER 1973 ELECTIONS -- IN WHICH HIS PARTY AND THE COMMUNISTS WERE DEADLOCKED 175 TO 175 WITH THE OPPOSITION PARTIES IN THE 350-MEMBER PARLIAMENT (RIKSDAG) -- PALME HAS

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DEMONSTRATED CONSIDERABLE POLITICAL SKILL IN MANEUVERING TO KEEP HIS OPPONENTS DIVIDED AND HIS PARTY IN POWER. BY PERSUADING FIRST THE HAPLESS LIBERAL PARTY AND, LATER, THE CENTER PARTY, TO SUPPORT HIM ON KEY FINANCIAL ISSUES (THE SO-CALLED "HAGA AGREEMENTS"), PALME MANAGED TO OBTAIN THE PASSAGE BY THE RIKSDAG OF MUCH OF THE LEGISLATION HE PROPOSED. THUS, HE CONFOUNDED HIS CRITICS, WHO WERE CONVINCED THAT A DEADLOCKED RIKSDAG, FORCED TO DECIDE ISSUES

BY THE DRAWING OF LOTS, WOULD BECOME SO UNWORKABLE THAT
THE PRIME MINISTER WOULD HAVE TO RESIGN AND NEW ELECTIONS
CALLED.

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C O N F I D E N T I A L SECTION 2 OF 3 STOCKHOLM 0322

4. THE REPUTATION OF PALME AS A MILITANT IDEOLOGUE,
FOSTERED BY HIS EARLY YEARS IN OFFICE, HAS DIMMED, AND
PALME HAS MANIFESTED AN ACCOMMODATING APPROACH TO THE
PROBLEMS POSED BY THE RIKSDAG DEADLOCK THAT HASSURPRISED
HIS MANY CRITICS. A RECENT ARTICLE IN THE CONSERVATIVE

VECKANS AFFAIRER (SWEDEN'S EQUIVALENT OF BUSINESS WEEK)
COMMENTED THAT PALME HAS MOVED, SINCE THE 1973 ELECTIONS,
FROM THE EXTREME LEFT OF THE POLITICAL SPECTRUM TO A
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POSITION MODERATELY LEFT OF CENTER, AND QUOTED A NUMBER
OF PROMINENT INDUSTRIALISTS AND BUSINESSMEN AS SAYING THAT
THEIR OPINIONS OF THE SOCIAL DEMOCRATIC LEADER HAD CHANGED
MARKEDLY FOR THE BETTER. THE ARTICLE LEFT OPEN WHETHER
THE SEEMING "CONVERSION" OF PALME TO MODERATION IS ONLY A
TACTICAL DEVICE. CERTAINLY THERE ARE MANY IN SWEDISH
POLITICS WHO FEAR THAT THE "REAL" PALME WILL COME TO THE
FORE ONCE AGAIN IF HIS PARTY WERE TO WIN DECISIVELY IN THE
ELECTIONS. BUT, FOR THE MOMENT AT LEAST, THE PRIME
MINISTER HAS ABANDONED HIS POLITICS OF CONFRONTATION AND
SEEMS CONTENT TO PURSUE A PRAGMATIC, MODERATE APPROACH,
IN CONTRAST TO THE EXTREMISM OF THE SOCIALIST IDEOLOGUES
WHO SURFACE AT THE TRIENNIAL SOCIAL DEMOCRATIC CONFERENCES
AND WHO ARE PROMINENT IN LO RANKS.

5. A CASE IN POINT IS THE CONTROVERSIAL MEIDNER REPORT,
WHICH CALLS FOR EVENTUAL UNION OWNERSHIP OF LARGE
COMPANIES THROUGH A PROGRESSIVE WORKER ACQUISITION OF
COMPANY SHARES. THE PROPOSALS SMACK OF THE MORE EXTREME
TYPE OF INDUSTRIAL DEMOCRACY, ANATHEMA TO THE SWEDISH
MIDDLE CLASSES IN GENERAL AND TO THE INDUSTRIAL-BUSINESS
LEADERSHIP IN PARTICULAR, AND SOCIAL DEMOCRATIC ADOPTION
OF THE PLAN -- AT LEAST IN ITS PRESENT FORM -- COULD,
IN THE NEXT ELECTIONS, COST THE PARTY THE CRUCIALLY IMPORTANT
SUPPORT OF THE INDEPENDENT VOTERS. ALTHOUGH LO CHIEF
GUNNAR NILSSEN HAS SPOKEN ENTHUSIASTICALLY OF THE MEIDNER
REPORT, PALME HAS BEEN NON-COMMITTAL ON IT AND WILL
PROBABLY SEEK TO DISTANCE HIMSELF FROM IT -- AT LEAST
UNTIL AFTER THE ELECTIONS. DEPUTY FINANCE MINISTER KJELL
OLOF FELDT HAS ADVISED US THAT THERE IS NO CHANCE OF THE
PARTY COMING OUT BEFORE THE ELECTIONS IN
FAVOR OF THE CONTROVERSIAL PROPOSAL.

6. TO BE SURE, THERE ARE CLOUDS ON THE HORIZON FOR THE
SOCIAL DEMOCRATS. THE MAJOR PROBLEM APPEARS TO BE THE
ECONOMY. WITH THE ECONOMIC RECESSION NOT YET BOTTOMED
OUT, SOME INCREASE IN UNEMPLOYMENT STILL BEING EXPECTED,
AND ONLY A MODERATE DECLINE IN INFLATION LIKELY, THE
ECONOMIC PROGNOSIS FOR THE WINTER AND SPRING IS
UNFAVORABLE. SO FAR THERE HAS BEEN RELATIVELY LITTLE
TENDENCY TO BLAME THE ECONOMIC DOWNTURN ON THE PALME
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GOVERNMENT, WHICH HAS MOVED EXPEDITIOUSLY TO STIMULATE THE ECONOMY TO TRY TO MAINTAIN EMPLOYMENT AT ROUGHLY ITS PRESENT LEVEL DURING THE COMING MONTHS. SHOULD THE SITUATION WORSEN APPRECIABLY -- AND SOME FORECASTERS THINK IT WILL -- THEN THE GOVERNMENT WOULD PROBABLY SUFFER AT THE POLLS IN THE FALL. YET, MANY WORKERS MAY LOOK UPON THE SOCIAL DEMOCRATIC PARTY AS BEST ABLE TO COPE WITH PROBLEMS ARISING FROM UNEMPLOYMENT, ATTRIBUTING THIS ILL TO "CAPITALISM" RATHER THAN THE HIGH COSTS OF THE WELFARE STATE.

7. ANOTHER POSSIBLE PROBLEM FOR THE SOCIAL DEMOCRATS ARISES FROM THE SCHISM OF THE COMMUNIST VPK, ON WHOSE SUPPORT THEY HAVE BEEN ABLE TO COUNT. THE PARTY'S 5 PER CENT OF THE VOTE IN THE 1973 ELECTIONS GAVE THEM 19 SEATS, WHICH ADDED TO THE SOCIAL DEMOCRATS 156, PROVIDED THE NECESSARY 175 TO DEADLOCK WITH THE OPPOSITION. HOWEVER, INFIGHTING WITHIN THE PARTY BETWEEN THE MODERATE LEADERSHIP AND THE "STALINIST" (PRO-MOSCOW) WING LOCATED PRIMARILY IN THE NORTH OF SWEDEN, THREATENS TO SPLIT THE PARTY AND, HENCE, CAUSE IT TO POLL LESS THAN THE FOUR PER CENT NECESSARY FOR REPRESENTATION IN THE RIKDDAG. SINCE THE SOCIAL DEMOCRATS CAN HARDLY HOPE TO GARNER MUCH ABOVE 45 PERCENT OF THE TOTAL VOTE, THE LOSS OF THE COMMUNIST VOTE WOULD PROBABLY PROVIDE THE BOURGEOIS PARTIES THE NECESSARY MAJORITY IN THE RIKSDAG TO CLAIM THE REINS OF GOVERNMENT. ALTHOUGH THE VPK LEADERSHIP IS WELL AWARE OF THE POTENTIALLY DISASTROUS RESULTS FOR THE PARTY IN THE RIKSDAG IF THE DIVISION WERE TO RESULT IN A FINAL SPLIT, THE IMPERATIVES OF COMMUNIST IDEOLOGY MAY TRIUMPH OVER MORE PRAGMATIC CONSIDERATIONS IN THIS CASE -- AND THIS TO THE DETRIMENT OF THE SOCIAL DEMOCRATS. THE NORTHERN WING OF THE VPK WILL BE HOLDING A CONGRESS NEXT MONTH, WHICH COULD DECIDE WHETHER THE FISSURES IN THE PARTY WILL BECOME PERMANENT. BUT THE SOCIAL DEMOCRATS SEEM PERSUADED THAT THE COMMUNISTS WILL PAPER OVER THEIR IDEOLOGICAL DIFFERENCES IN ORDER TO GO INTO THE ELECTIONS NOMINALLY UNITED.

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8. THE MOST RECENT PUBLIC OPINION POLLS SHOW A SLIGHT EDGE FOR THE THREE OPPOSITION PARTIES OF A COMBINED STRENGTH OF ALMOST 50 PERCENT, VERSUS 47.5 PERCENT FOR THE SOCIAL DEMOCRATS AND COMMUNISTS TOGETHER. HOWEVER, AT 43 PERCENT, THE SOCIAL DEMOCRATS ARE APPROXIMATELY AT THEIR SEPTEMBER 1973 ELECTION FIGURE. AND WITH ELECTIONS STILL SOME EIGHT MONTHS AWAY, THEY STILL HAVE PLENTY OF TIME TO MOBILIZE THEIR VAST PARTY AND TRADE UNION MACHINERY TO BRING OUT THE VOTE.
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IT IS DUE IN LARGE PART TO THE EXISTENCE OF THIS EFFICIENT APPARATUS THAT THE SOCIAL DEMOCRATS HAVE BEEN ABLE TO CONTINUE IN POWER ALMOST UNINTERRUPTEDLY SINCE 1932.

9. PREDICTIONS ARE THAT PALME WILL RUN A RELATIVELY LOW-KEY CAMPAIGN, COUNTING ON VOTER SATISFACTION WITH THE SOCIAL DEMOCRATIC WELFARE STATE, FEAR OF CHANGE, AND DIS-ARRAY AMONG THE OPPOSITION TO KEEP THE PARTY IN POWER.

AS FELDT RECENTLY TOLD THE AMBASSADOR, HIS CHIEF FUNCTION, AND THAT OF THE OTHER MEMBERS OF THE CABINET DURING THE NEXT EIGHT MONTHS, WILL BE TO CREATE AN IMAGE OF "CONFIDENCE" IN THE GOVERNMENT. IN CONTRAST TO HIS CONSTANT TRAVEL DURING 1974 AND 1975, THE PRIME MINISTER INTENDS TO STAY AT HOME FOR THE MOST PART DURING 1976, RECEIVING A STEADY STREAM OF INTERNATIONAL VISITORS IN STOCKHOLM, INCLUDING SUCH WORLD LEADERS AS MARSHAL TITO, MEXICAN PRESIDENT ECHEVERRIA, AND (POSSIBLY) CANADIAN PRIME MINISTER TRUDEAU. (WE UNDERSTAND THAT EARLIER CONSIDERATION OF A VISIT BY FIDEL CASTRO HAS BEEN DROPPED AS TOO RISKY DURING AN ELECTION YEAR). THE MAJOR EXCEPTION TO THIS STAY AT HOME POLICY WILL BE A TRIP TO THE USSR IN MARCH. WITH THE ONLY SIGNIFICANT FOREIGN POLICY ISSUE OF THE 1973 CAMPAIGN -- POOR RELATIONS WITH THE U.S. -- NOW SUCCESSFULLY DISPOSED OF, FOREIGN POLICY IS NOT EXPECTED TO BE AN ISSUE IN THE CAMPAIGN. AS THE SWEDISH PUBLIC WITNESSES PROMINENT WORLD FIGURES PAYING HOMAGE TO THEIR PRIME MINISTER, THE IMAGE OF A WORLD STATESMAN WHICH HE HAS SO ASSIDUOUSLY SOUGHT TO CULTIVATE IN RECENT YEARS, CAN ONLY REDOUND TO HIS CREDIT.

10. ALTHOUGH PALME AND HIS PARTY CAN APPROACH THE ELECTIONS WITH HIGH CONFIDENCE, THERE ARE STILL TOO MANY UNPREDICTABLE ELEMENTS TO MAKE A VICTORY CERTAIN, I.E., THE ECONOMY, THE STATUS OF THE VPK, AND THE POSSIBILITY OF SOME UNEXPECTED DEVELOPMENT ON THE INTERNATIONAL SCENE. UNTOWARD DEVELOPMENTS IN ANY ONE OF THESE FIELDS COULD PROVIDE THE MARGIN OF VICTORY FOR THE OPPOSITION. A REPLAY OF THE 1973 DEADLOCK COULD HARDLY BE REGARDED AS A VICTORY FOR ANYONE AND WOULD PROBABLY RESULT IN EARLY NEW ELECTIONS. NEVERTHELESS, WITH PALME THE DOMINANT FIGURE ON THE ELECTORAL SCENE, COMMANDING THE VAST RESOURCES OF THE

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PARTY AND THE LO, AND WITH THE OPPOSITION DIVIDED, THE PROSPECTS FOR THE SOCIAL DEMOCRATS ARE BRIGHT AS 1976 BEGINS.

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